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C O N F I D E N T I A L SECTION 01 OF 04 TAIPEI 000623

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SUBJECT: PREMIER SU TSENG-CHANG ON BILATERAL ISSUES AND ELECTION POLITICS

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: Premier Su Tseng-chang, a leading candidate for the DPP presidential nomination, told the Director on March 19 that President Chen Shui-bian has "completely abandoned" his efforts to mediate among the four DPP presidential candidates, which means the party will hold a primary in May that combines a vote by party members and a public opinion poll. Su said he opposes proposals to exclude moderate (Light Blue and swing) voters from the DPP poll, since the DPP will need such voters to win the 2008 presidential election. This controversial polling issue will be debated March 21 by the DPP Central Standing Committee (CSC). On his policy platform, Su said he favors expanding cross-Strait economic links so long as security and sovereignty concerns are taken into account and also that as President he would focus on helping central and southern Taiwan, small and medium enterprises, and disadvantaged groups. The Director stressed the importance of the Legislative Yuan (LY) passing the defense budget. Su agreed with the Director and blamed the KMT for the deadlock. In a brief one-on-one session, the Director stressed the importance of Taiwan taking no steps that would violate President Chen's "four noes" commitment. Su acknowledged the Director's points, noted that his approach was to "say less and do more" practical work, and suggested that he would be careful to avoid surprising the U.S. if elected President.
End Summary.

Wang You-theng Case

12. (C) In a meeting with Premier Su Tseng-chang on March 19, the Director noted that former Rebar Group chairman Wang You-theng charged with financial crimes in Taiwan, remains in U.S. custody and said he would immediately contact Vice Premier Tsai Ing-wen if there were new developments in the case. The Director urged Taiwan's Ministry of Justice (MOJ) to continue providing information about the case to the U.S. Su said that Wang and his wife had done "too much harm" to Taiwan. Su added that Taiwan respects U.S. law and that he would urge MOJ to provide information to the U.S. In the past, Su observed, Beijing had allowed Taiwan financial crime suspects to remain in China, but in this case they had forced Wang to leave because they knew that allowing him to stay

would damage relations with Taiwan.

New TECRO Head Joseph Wu

¶3. (C) Noting the appointment of Mainland Affairs Council (MAC) Chairman Joseph Wu to become the new head of TECRO in Washington, the Director stressed our great respect for the very capable representatives Taiwan has sent to the U.S. over the years. The U.S. will very much welcome Joseph Wu and we also have great respect for outgoing representative David Lee, who has made important contributions to U.S.-Taiwan relations.

Partisan Politics and the Defense Budget

¶4. (C) Turning to the domestic scene, the Director noted that we are entering a very political year as the parties prepare for upcoming LY and presidential elections in 2007-2008. The increase in partisanship is creating difficulties, and the U.S. is disappointed over the failure of the LY to pass the 2007 annual budget, which includes the defense budget for arms procurement.

¶5. (C) Su responded that he had never before seen this level of political confrontation in the LY. The pan-Blue move to place the Central Election Commission (CEC) bill ahead of the annual budget bill on the LY agenda was motivated solely by election concerns. Last week, Su recalled, the DPP had offered concessions which LY Speaker Wang Jin-pyng wanted to accept, but others in the pan-Blue camp had objected. According to Su, the Kuomintang (KMT) is trying to win control of the CEC because it is afraid that the Democratic

TAIPEI 00000623 002 OF 004

Progressive Party (DPP) plan to hold a referendum on KMT party assets together with the presidential election may cost it the presidency.

¶6. (C) The Director noted that he had recently stressed the importance of passing the defense budget to both Wang Jin-pyng and former KMT Chairman Ma Ying-jeou. If the current opportunity on arms procurement is missed, it could create problems since both Taiwan and the U.S. will be electing new presidents. We do not want to leave our new presidents with a U.S.-Taiwan relationship that is not entirely healthy, the Director stressed. The Director expressed hope that after passing the regular budget the LY would also pass a supplementary budget to procure PAC-3 and increase defense spending to 2.85 percent of GDP. Passing the regular defense budget was also key to possible progress on the F-16 issue, the Director pointed out.

¶7. (C) Su argued that the KMT is using the CEC issue as its latest excuse not to pass the defense budget. Ma Ying-jeou did not raise the CEC issue previously, for example, before his trip to the U.S. last year, when he said he supported arms procurement. If the DPP yields on the CEC issue, then the KMT will come up with a new excuse, Su predicted. For election purposes, the KMT wants to make the DPP government look bad by putting it in a position where it cannot accomplish anything, Su argued.

¶8. (C) The Director asked Su whether he expected partisan confrontation to continue after 2008 if Taiwan again has a Green president and a Blue-controlled LY. Su responded that the situation would be different than now. While the KMT blamed its 2000 defeat on a split in the Blue camp and its 2004 defeat on an allegedly staged election-eve shooting of the President and Vice President, it will have nothing to say if it loses again in 2008. If the DPP wins by a significant margin, it will be in a position to reach out to form an alliance with others, giving the DPP a workable LY majority, Su suggested.

¶9. (C) Referring to the recent relaxation by both sides of restrictions on visits by officials of Taiwan's Straits Exchange Foundation (SEF) and the PRC's Association for Relations Across the Taiwan Strait (ARATS), Su stressed the importance of having cross-Strait dialogue and contacts. Taiwan should actively consider steps to expand cross-Strait economic relations, while taking into account security and sovereignty concerns, Su said. Taiwan recently decided to allow its companies to produce more advanced wafers in China than previously because this step did not affect Taiwan's core technologies or its leading position in the semiconductor industry. Business opportunities have increased as a result of this decision, Su added. Su also pointed out that no matter who is appointed MAC chairman, Chen Shui-bian will remain in charge of cross-Strait policy.

¶10. (C) Su said he expects China to closely monitor Taiwan's upcoming elections. While the PRC will pretend not to interfere in Taiwan politics, it will actually work on Taiwan business people in China and also use purchases of agricultural products to try to influence Taiwan's farmers. Such initiatives are part of Beijing's program of psychological and public opinion warfare, Su suggested.

Selecting the DPP Presidential Candidate

¶11. (C) Su said that the DPP Central Standing Committee on March 21 will take up the issue of excluding Blue respondents from the polling it uses to select its presidential candidate. Although he hoped this issue could be resolved through discussion, Su said the CSC might have to vote on the matter. Su said he did not oppose excluding Deep Blue supporters from the DPP poll, but he did not support proposals to exclude moderate voters (Light Blue and swing voters). How could the DPP win the presidential election

TAIPEI 00000623 003 OF 004

without support from moderate voters, Su asked rhetorically.

¶12. (C) The Director noted suggestions that the DPP's strongest presidential ticket might be one that included both Su and Frank Hsieh. Su agreed that this was what some people were saying. Various possibilities had been raised during President Chen's consultations with the four DPP presidential candidates, Su noted, and he added that he had said he could accept such an arrangement of being on the same ticket with Hsieh. Now, however, President Chen has "completely abandoned" his mediation effort, so the DPP's presidential candidate will be determined through the primary process, which combines a vote by party members (weighted 30 percent) and a public opinion poll (weighted 70 percent).

¶13. (C) Judging by past experience, Su said he expects President Chen to continue playing an active political role during the presidential campaign. However, he added, the situation will change once the DPP has nominated its presidential candidate. At that stage, it is difficult to say what Chen's role will be.

Su's Domestic Policy Platform

¶14. (C) Su said that as President he would focus on developing all of Taiwan and not just Taipei. He would especially emphasize central and southern Taiwan, small and medium enterprises, and disadvantaged groups in society. Taiwan needs to pay attention to its growing population of senior citizens, especially those who are invalids, Su suggested. Another important policy is to expand free education from the current nine to twelve years. This policy is beginning during the current year by expanding free

education to the tenth grade. The funding for this expansion is already included in the 2007 annual budget, which, however, is currently stalled in the LY.

One-on-One Discussion

115. (C) During a brief one-on-one with Premier Su at the end of the session, the Director underscored the seriousness with which we view any attempts to alter the status quo across the Taiwan Strait by either side, and in particular recent remarks by President Chen raising questions about his commitment to the "four noes." While our public response was relatively restrained, privately we will be making clear that this could seriously damage bilateral ties if allowed to continue drifting in the direction of direct violation of the "four noes." Anything that touches on sensitive sovereignty issues in the areas of constitutional reform, referenda or attempts to enter the United Nation under the name of Taiwan would constitute such a violation. We admire Taiwan's democratic processes, and understand the domestic factors currently at work as the DPP seeks to enhance its prospects in upcoming legislative and presidential elections. The next couple of months will be closely watched for any signs that Taiwan might be drifting toward long-established "red lines" on cross-Straits ties. We have made and will continue to make representations to Beijing on its military buildup and other developments of concern, but Taiwan has direct responsibilities of its own here. How these matters are managed will help to define prospects for U.S.-Taiwan relations in the future, including with Taiwan's next President. The Director explained that he wanted Su to understand USG views clearly, noting that he had also made these points in a meeting earlier that morning with DPP presidential candidate Frank Hsieh.

116. (C) Premier Su listened closely to the Director's points and nodded his understanding at several points. He then responded by noting his tendency to speak less often and focus on patiently producing results as head of the Executive Yuan. This included his efforts to improve cross-Straits economic ties as well as pass an appropriate arms budget. Su believed President Chen's influence would diminish somewhat once the DPP has decided on its presidential candidate, but taking into account Chen Shui-bian's activist temperament, he could not rule out a continuing active role by the President

TAIPEI 00000623 004 OF 004

until the end of his term. Su stressed the cardinal importance of the United States to Taiwan's peaceful and secure development, suggesting he would be more careful than his current boss to "avoid any surprises" should he become president.

Comment

117. (C) In both the larger meeting and the one-on-one session, Su's moderation, pragmatism, and commitment to strong U.S.-Taiwan ties came through clearly. However, as frontrunner for the DPP presidential nomination, Su has enemies on all sides and must maneuver carefully. As he made clear, the pan-Blue camp often works against the DPP government to seek political advantage. Within his own party, Deep Green hardliners view Su as overly moderate and too willing to expand cross-Straits economic relations. The three other DPP presidential candidates all see Su as the primary obstacle to their own ambitions. Thus his strategy of quietly producing results from the powerful position of Premier makes him the one to beat entering into DPP primary season.

YOUNG